

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

In re SILICON STORAGE TECHNOLOGY,
INC., DERIVATIVE LITIGATION

Master File No. C 06-04310 JF

This Document Relates To:
ALL ACTIONS.

**[PROPOSED] ORDER PRELIMINARILY
APPROVING DERIVATIVE
SETTLEMENT AND PROVIDING FOR
NOTICE**

EXHIBIT C

1 WHEREAS, the Settling Parties have made an application, pursuant to Federal Rule of
2 Civil Procedure 23.1, for an Order (i) preliminarily approving the proposed settlement (the
3 “Settlement”) of the above-captioned consolidated shareholder derivative action (the “Action”), in
4 accordance with a Stipulation of Settlement dated February 1, 2010 and the exhibits thereto (the
5 “Stipulation”), and (ii) approving for distribution the Notice of Settlement;

6 WHEREAS, the Stipulation sets forth the terms and conditions for the Settlement, including
7 but not limited to: (i) dismissal of the Action with prejudice and the release of certain claims
8 against the Released Persons; and (ii) an award of attorneys’ fees and costs to Plaintiffs’ Counsel in
9 the Actions, upon the terms and conditions set forth in the Stipulation;

10 WHEREAS, the Settlement appears to be the product of serious, informed, non-collusive
11 negotiations and falls within the range of possible approval;

12 WHEREAS, all capitalized terms contained herein shall have the same meanings as set
13 forth in the Stipulation unless otherwise specified herein; and

14 WHEREAS, this Court, having considered the Stipulation and all documents, evidence and
15 arguments of the Settling Parties in support of preliminary approval of the Settlement and the
16 Stipulation:

17 NOW THEREFORE, IT IS HEREBY ORDERED:

18 1. This Court does hereby preliminarily approve, subject to further consideration at the
19 Settlement Hearing described below, the Stipulation and the Settlement set forth therein, including
20 the terms and conditions for: (a) a proposed Settlement and dismissal of the Action with prejudice
21 as to the Released Persons; and (b) an award of attorneys’ fees and costs to Plaintiffs’ Counsel in
22 the Actions, upon the terms and conditions set forth in the Stipulation.

23 2. A hearing (the “Settlement Hearing”) shall be held before this Court on 4/9/2010,
24 2010 at 9:00 a.m. in Courtroom 3 of the United States District Court for the Northern District of
25 California, San Jose Division, 280 South First Street, San Jose, CA 95113, to consider:
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1 (a) whether the terms and conditions of the Settlement provided for in the
2 Stipulation are fair, reasonable, adequate and in the best interests of Silicon Storage Technology,
3 Inc. (“SSTI”) and current SSTI stockholders;

4 (b) whether an Order and Judgment as provided for in paragraph 5.3 of the
5 Stipulation should be entered;

6 (c) whether to award attorneys’ fees and expenses to Plaintiffs’ Counsel; and

7 (d) such other matters as the Court may deem necessary and appropriate.

8 3. The Court approves, as to form and content, the notice annexed as Exhibit B hereto,
9 and finds that the distribution and publication of the Notice of Settlement and the Stipulation
10 substantially in the manner and form set forth in paragraph 5.2 of the Stipulation meets the
11 requirements of Federal Rule of Civil Procedure 23.1 and due process, is the best notice practicable
12 under the circumstances, and shall constitute due and sufficient notice to all Persons entitled
13 thereto of all matters relating to the Settlement.

14 4. Not later than ten (10) days following entry of this Order, SSTI shall cause the
15 Notice of Settlement substantially in the form annexed as Exhibit B hereto and the Stipulation to
16 be: (a) published on its website, such that visitors to the website home page will readily find a
17 hyperlink to the Notice of Settlement and Stipulation; (b) filed with the Securities and Exchange
18 Commission via a Form 8-K; and (c) published once in *Investor’s Business Daily*.

19 5. All costs incurred in the filing and publication of the Notice of Settlement shall be
20 paid by SSTI and SSTI shall undertake all administrative responsibility for filing and publication of
21 the Notice of Settlement.

22 6. At least fourteen (14) days prior to the Settlement Hearing, SSTI’s counsel shall
23 serve on Co-Lead Counsel and file with the Court proof, by affidavit or declaration, of such filing
24 and publication of the Notice of Settlement.

25 7. All current SSTI stockholders shall be bound by all orders, determinations and
26 judgments in the Action concerning the Settlement, whether favorable or unfavorable to current
27 SSTI shareholders.

1 8. Pending final determination of whether the Settlement should be approved, no
2 current SSTI shareholder shall commence or prosecute against any of the Released Persons any
3 action or proceeding in any court or tribunal asserting any of the Released Claims.

4 9. All papers in support of the Settlement and the award of attorneys' fees and
5 expenses shall be filed with the Court and served at least seven (7) calendar days prior to the
6 Settlement Hearing.

7 10. Any current record holders and beneficial owners of common stock of SSTI as of
8 February 1, 2010 may appear at the Settlement Hearing either in person or through counsel retained
9 at the shareholder's expense and show cause, if he, she or it has any reason why the terms of the
10 Settlement should not be approved as fair, reasonable and adequate, or why a judgment should not
11 be entered thereon, provided, however, unless otherwise ordered by the Court, no current SSTI
12 stockholder shall be heard or entitled to contest the approval of all or any of the terms and
13 conditions of the Settlement, or, if approved, the Judgment to be entered thereon approving the
14 same, unless that Person has, at least fourteen (14) days prior to the Settlement Hearing, filed with
15 the Clerk of the Court at the address below and served on the following counsel (delivered by hand
16 or sent by first class mail) appropriate proof of stock ownership, along with written objections,
17 including the basis therefore, and copies of any papers and briefs in support thereof:

18 ***Clerk of the Court***

19 United States District Court
20 Northern District of California
21 San Jose Division
22 280 South First Street
23 San Jose, CA 95113

24 ***Counsel for Plaintiffs***

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26 BARROWAY TOPAZ KESSLER
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Howard S. Caro
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Any SSTI stockholder who does not make his, her or its objection in the manner provided herein shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, reasonableness or adequacy of the Settlement as incorporated in the Stipulation and to the award of attorneys' fees and expenses to Plaintiffs' Counsel, unless otherwise ordered by the Court, but shall otherwise be bound by the Judgment to be entered and the releases to be given.

11. All proceedings and all further activity regarding or directed towards this Action, including but not limited to the pending motions to dismiss and any discovery, shall be stayed and suspended until further order of this Court, except as to such actions as may be necessary to implement the Settlement or this Order.

12. Neither the Stipulation nor the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Stipulation or the Settlement: (a) is or may be deemed to be or may be offered, attempted to be offered or used in any way by the Settling Parties as a presumption, a concession or an admission of, or evidence of, any fault, wrongdoing or liability of

1 the Settling Parties or of the validity of any Released Claim; or (b) is intended by the Settling
2 Parties to be, or may be, offered or received as evidence or used by any other Person in any other
3 actions or proceedings, whether civil, criminal or administrative. The Released Persons may file
4 the Stipulation and/or the Judgment in any action that may be brought against them in order to
5 support a defense or counterclaim based on principles of *res judicata*, collateral estoppel, full faith
6 and credit, release, standing, good faith settlement, judgment bar or reduction, or any other theory
7 of claim preclusion or issue preclusion or similar defense or counterclaim; and any of the Settling
8 Parties may file the Stipulation and documents executed pursuant and in furtherance thereto in any
9 action to enforce the Settlement.

10 13. The Court reserves the right to adjourn the date of the Settlement Hearing or modify
11 any other dates set forth herein without further notice to SSTI stockholders, and retains jurisdiction
12 to consider all further applications arising out of or connected with the Settlement. The Court may
13 approve the Settlement, with such modifications as may be agreed to by the Settling Parties, if
14 appropriate, without further notice to the current SSTI stockholders.

15 **IT IS SO ORDERED.**

16 DATED: 2/19/2010
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20 THE HONORABLE JEROME FOGEL
21 UNITED STATES DISTRICT JUDGE
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